

AT&T (at 2) claims that “supracompetitive access charges” are a current universal service support mechanism. AT&T’s answer (at 6) is that pricing access charges at total long run service incremental cost (TSLRIC, also known as LRSIC) will eliminate cross-subsidies from access charges. OCC takes no position at this time on the proper level of access charges (the Commission has indicated that it will be reviewing access charges in another proceeding -- see NPRM at ¶ 3), but we are compelled to respond to AT&T’s argument: The fact that access charges contain a contribution above TSLRIC does not necessarily represent a cross-subsidy. Otherwise, every service which provides such a contribution is providing a cross-subsidy, including most residential services.

AT&T also argues (at 5) that access charges above TSLRIC permit discrimination. While this is not particularly germane to this proceeding, we would note that pricing access charges at TSLRIC would also discriminate against the LEC’s retail end-user customers, by requiring them to fund the entirety of the LEC’s joint and common costs despite the fact that the IXC’s also use the LEC’s network. This is contrary to the Act. Sec 254(k). *See also* AARP at i and 15.

Pricing access charges at TSLRIC is the fatal flaw in AT&T’s interim universal service support mechanism. AT&T at 10, n. 13. It presumes that all contribution to joint and common costs by access charges is a universal service support flow. (We also note that AT&T (at 18) even wishes to price access charges *below* LRSIC for rural telephone companies, given the proposed use of Tier 1 LECs’ access costs, which are presumably lower than the small LECs’)

Whatever the details of the support mechanism, AT&T argues (at 7) that the funds should be collected as a surcharge on the retail rates of all telecommunications providers. *See also* Century at 16; CompTel at 15, n. 36; CSE at 17-18; GTE at 17; USW at 15. LCI (at 4-5) would have the entire universal service amount come through a SLC. Yet the Act provides that *carriers* will contribute to the support mechanisms. Sec. 254(d); *see* NASUCA at 15; WVCAD at 12. The collection will come from the carriers; it is up to them to determine how to pass through those costs. *See* NARUC at 17.²¹

XI. CONCLUSION

OCC urges the Commission to reject the views of those who would strictly limit the services eligible for universal service support and of those who would limit the eligibility of carriers to receive that support. Both should be broad.

TCG has crystallized three of the crucial issues pertaining to current universal service support mechanisms, in only two sentences. TCG states (at 3): “Each of these programs [USF and DEM weighting] provides funds only to incumbent local exchange carriers, and each is supported by contributions from only one segment of the industry.” The Act dictates solutions for these first two problems: Make USF and DEM funding available to all eligible carriers, and support each by contributions from all carriers. TCG then states (*id.*): “[B]ecause support from these programs is not targeted in any way, but

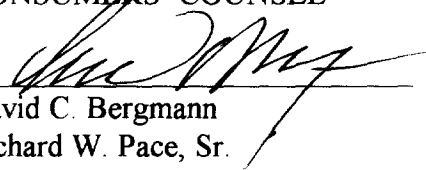
²¹ We note with interest the statement of WisPSC (at 4) that the Wisconsin rules prohibit the identification of a separate universal service charge on end user bills. If consumers are entitled to know how much of their bills goes to support universal service, then they should also be able to know the details of how much of their bills goes to pay other expenses of the carriers.

considered "explicit" and therefore cannot continue " No dictionary defines "explicit" in the fashion proposed by TCG. *See* WVCAD at 9

Under a proper allocation of the costs of the local loop, basic residential service as a whole is not subsidized. Thus 1) there is no need for rate rebalancing; 2) rates currently thought of as subsidizing or supporting universal service can be reduced without imposing additional end user charges; 3) universal service can be enhanced without a significant increase in the amounts currently devoted to preserve current penetration levels; and 4) if the range of the carriers contributing to universal service is broadened as required by the Act, the burden on any one provider will be minimized.

The preservation and enhancement of universal service is now an explicit national goal. OCC urges the Commission to issue rules that will carry out that goal by assisting consumers, rather than enhancing the corporate goals of telecommunications providers. OCC commends to the Commission's attention the discussion of these issues here and in OCC's initial comments.

Respectfully submitted,
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APPENDIX

The comments reviewed by OCC include: Ad Hoc Telecommunications Users Committee (AHTUC); Alabama Public Service Commission (AlaPSC); American Association of Retired Persons, Consumer Federation of America, and Consumers Union (AARP, *et al.*); Ameritech; Association for Local Telephone Services (ALTS); AT&T Corp. (AT&T); Benton Foundation (Benton); California Department of Consumer Affairs (CDCA); Century Telephone Enterprises, Inc. and TDS Telecommunications Corporation (Century); Cincinnati Bell Telephone Inc. (CBT); Citizens for a Sound Economy Foundation (CSE); Competitive Telecommunications Association (CompTel); Edgemont Neighborhood Coalition (Edgemont); GTE Service Corporation (GTE); Illinois Commerce Commission (IICC); Indiana Utility Regulatory Commission (IURC); John Starulakis, Inc. (JSI); LCI International Telecom Corp. (LCI); Learning and Information Networks for Community Telecomputing (LINCT); MCI Communications Corporation (MCI); MFS Communications Company, Inc. (MFS); Missouri Public Service Commission (MoPSC); National Association of Regulatory Utility Commissioners (NARUC); National Association of State Utility Consumer Advocates (NASUCA); National Exchange Carrier Association (NECA); National Urban League (NUL); Navajo Nation Washington Office; New Mexico Attorney General (NMAG); New York State Consumer Protection Board (NYCPB); NYNEX; Office of the People's Counsel for the District of Columbia (OPC-DC); Pennsylvania Public Utilities Commission (PaPUC); People for the American Way, *et al.* (PAW, *et al.*); Public Service Commission of Wisconsin (WisPSC); Sprint Corporation (Sprint); Staff of the Public Utilities Commission

of Ohio (PUCO Staff); Rural Iowa Independent Telephone Association (RIITA); Telecommunications Resellers Association (TRA); Teleport Communications Group Inc. (TCG); Texas Office of Public Utility Counsel (TOPUC); Texas Public Utilities Commission (TexPUC); Time Warner Communications Holdings, Inc. (Time Warner); United States Telephone Association (USTA); US West, Inc. (USW); Utility Regulators of Maine, Montana, Nebraska, New Hampshire, New Mexico, Utah, Vermont, and West Virginia (Maine, *et al.*); Washington Utilities and Transportation Commission (WUTC); West Virginia Consumer Advocate (WVCAD)

CERTIFICATE OF SERVICE

I hereby certify that the Reply Comments of the Office of the Ohio Consumers' Counsel have been served by overnight mail to the Federal-State Joint Board, International Transcription Service, and a diskette to Ernestine Creech. Service to other persons on the service list has been made by first class mail, postage prepaid, on this 7th day of May, 1996.



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